



# NEWCASTLE MUNICIPALITY



## DRAFT BUDGET

**"TAKING NEWCASTLE TO THE NEXT LEVEL"**

### 2013/14 TO 2015/16

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## PART 1 – ANNUAL BUDGET

### **1. MAYOR’S REPORT**

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Honourable Speaker Cllr Zikhali

Her Worship the Mayor of Amajuba District Cllr JCN Khumalo

Her Worship the Mayor of Dannhauser Cllr J Phakathi

His Worship the Mayor of Emadlangeni Cllr J Zikhali

Chairperson of ANC Emalahleni Region Cde Arthur Zwane

Secretary of ANC Emalahleni Region Cde Ntokozo Mhlungu

Deputy Mayor Cllr Rachael Mdluli

Members of the Executive Committee

Councillors

Municipal Manager Mr Kebone Masange and all officials present

Members of the media

Distinguished guests, and those of you listening on Newcastle Community

Radio

Zaheera Khan and the Grade 8 -12 learners from Newcastle Islamic School

Ladies and gentlemen

Good evening.

Somlomo, let me thank you and this august house for the opportunity to

Present the 2013/2014 Draft operational and capital budget to you, as well as a summary of the state of our municipality. President Jacob Zuma, in his State of the Nation Address in February this year stated: “On the 15th of August last year, the National Planning Commission handed over the National Development Plan, the vision of the country for the next 20 years, to the President in this august house. The NDP contains proposals for tackling the problems of poverty, inequality and unemployment. It is a roadmap to a South Africa where all will have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment.” the Honourable President further said: “The National Development Plan provides a perfect vehicle for united action precisely because it has the

Support of South Africans across the political and cultural spectrum. Leaders in every avenue should be ready to rise above sectional interests and with great maturity, pull together to take this country forward.” Hon. Speaker, Newcastle will be amiss if we do not align ourselves, our IDP, and indeed our vision for a more vibrant Newcastle, with this progressive plan.

The 2013/2014 draft budget will seek to address this vision, whilst continuing our quest for equality in service delivery between the east and west of this beautiful city. We do not reduce our vigour, in our quest to maintain and upgrade our suburbs, sibe sishintsha amalokishi ethu afana noMadadeni, Osizweni, Blaaubosch, Mndozo, Drycut, Bosworth, Charlestown, Normandien and all these surrounding areas one step closer to looking like Arbour Park, Aviary Hill, Lennoxton and Paradise. This is a vision we set out to achieve in 2009, and it is a vision that continues to drive the way we budget. This address will seek to outline this plan and highlight some of the key points of our budget. At the very outset, I want to take this opportunity to explain to the people of Newcastle the entire budget process from beginning to end.

Councillors will recall that in 2009 we have begun a very difficult and painful process of budget reformation. We inherited a municipality with an unrealistic disparity between its operational budget (the cost of the day to day running of the Municipality) versus its capital budget (cost of building new infrastructure and new assets). Simply put this meant that the Municipality was surviving on a day to day basis without making any change in improving the quality of lives of the people of our townships. What was more scary was that it was stretching its infrastructure in the suburbs very thin, thus placing service delivery in extreme danger. The fact that we see fire engines, grass cutting tractors, refuse compact trucks still on the road after 30 years or more was testament to this fact. We sought to reform this budget by doing the only thing that any wise businessman would do. We turned our strategy sessions into in depth budget analysis sessions. We zoomed into all Municipal Departments and budget votes, cutting costs where necessary, discussing innovative and cheaper ways of doing business thus ensuring we were able to funnel more money towards our capital programs. we built more roads , repaired more storm water, maintained more infrastructure, purchased more tractors, fire engines and refuse compact trucks, provided electricity, water and other basic services to more areas that ever before.

Year on year we have increased our capital programs by over 5 times than 2008 and we have managed to sustain this for the last three financial years. We did this without exorbitantly increasing taxes, maintaining electricity increases way below Eskom, and without taking a cent of loans. While

we received criticism for going on these strategy sessions, I appeal to the community to give us this space to continue this budget reformation process and I am certain that we will see more improvements in our financial sustainability and budget planning processes. This financial year for example our equitable share from National Treasury has been reduced by R15 million despite the fact that we still manage to fully fund our budget and plan for a smaller deficit than last year without reducing the quality of service delivery. Let me highlight some of our major priorities.

### ***ROADS AND STORMWATER***

We continue to identify, as a municipality, and prioritize the tarring of roads in and around our city. With a record breaking 114 million rands being spent on new roads and upgrading of old roads this financial year! In the west, we budget 10 million rand on phase two of the widening of Allen street from the new bridge that will be completed by July this year up to the intersection of Allen and Hardwick street. We continue with phase two of the aqua rand link road that will see the creation of a new road from Fairleigh to the new shopping mall.

We will complete the intersection of Kirkland and Hardwick street at a further cost of 2 million rand. Ayliff street will be rehabilitated for 900 thousand rand, Bridger street for 770 thousand rand and the section of Murchison street alongside St Dominic school will be widened and rehabilitated at a cost of 1,5 million rand. Hillbrow street extension leading to the Sathya Sai school and the new planned housing development at Siyahlalala will be tarred for 1,8 million rands. An encouraging 13 million rands will be spent on the resealing of tarred roads within the suburbs. We continue with the Panorama storm water upgrade to the tune of 1 million rand. A request made to us by NN Business unity, through the Chinese Chamber will see 800 thousand rand to upgrade storm water in Albert Wessels drive. An amount of 320 thousand rand will see a traffic light at the intersection of Boundary and Link roads. In the east, 22 million rands will see phase two of the widening of Asiphephe road up to Marconi road. After last years focus on Osizweni roads we prioritize Madadeni roads for this year. Over 22 million rands will be spent on new roads within the Madadeni township and 10 million rands within this financial year will be used to complete roads within the Osizweni township. Johnston roads as well as some areas in Blaauwbosch will be completed. Over and above is a personal promise to the people of kwa Mathukuza will see the main road within that area tarred to the cost of 7 million rands. A further 1 million rand will be spent to create a slip way of Madadeni road in the vicinity of the SAB beer wholesalers. Whilst we are building roads in these areas we continue to maintain the other tarred roads by budgeting for resealing to the amount of 9 million rands in Madadeni and Osizweni.

## ***ELECTRICITY***

Somlomo, we take this opportunity to congratulate the ANC led Dannhauser Municipality on achieving the enviable status of being the first town in South Africa to have 100 percent access to electricity. Whilst I congratulate you, you must believe that Newcastle is nothing if not competitive. We aim to create a world class city and I am proud to say that the 7,3 million rand we budgeted in the 2013/2014 financial year (to electrify) wokufaka ugesi endaweni yase Ngogo, Dickshalt, nase Normandien, Amajuba forest in Ingogo and complete phase two of Bosworth will also see Newcastle achieve this coveted status by June next year. This means that every area in Newcastle will be electrified and inselelo yethu kuzoba ukufakela ugesi kuleyomizi eyasala kudala phakathi kwemizi ezindaweni zasemakhaya (our only challenge will be the infills hampering us in our rural areas). 3 million rand will be spent on high mast lighting to brighten up areas that continue to be ravished by crime. 19 million rand will be spent on upgrading our electricity network in the west. A further 5 million rand has been budgeted for providing electricity to the Siyahlalala area in anticipation of this much awaited housing project. 600 thousand rand will be budgeted for another phase of festival lighting and Christmas decorations in and around Newcastle, Madadeni and Osizweni in the hope of bringing more festive cheer to the lives of our residents.

Somlomo, we have heard the cries of our residents for a prepaid electrical meter system. Notwithstanding the debacle on this issue we will be calling for proposals within the next few weeks for the installation of a pilot project of smart meters for the Ncandu park and some areas of Fernwood residents.

## ***WATER AND SEWER***

Somlomo, we are one of those cities who have a 93 percent access to potable water for our residents. We budget a further 11 million rands to provide basic water services in Normandien, Ingogo and Charlestown (sifuna ukufaka amanzi kulezi ndawo). We also place a further 1,5 million rand for JoJo tanks, standpipes and boreholes in rural areas. 6 million rand more will see more VIP toilets built in wards 6,7,12,15,16 and 18 amongst other wards, to provide for this basic service. We see this basic service moving to the next level when we move to phase four of the Stafford water borne sewerage scheme at a cost of 8 million rand which will finally see the connections being completed. A project close to the heart of the Speaker. Osizweni e and f sewerage scheme will move to phase 3 at a cost of 4,5 million rand.

Kilbarchan and Madadeni waste water treatment plants will receive upgrades of more than 20 million rands. Pumping mains from Hilddrop reservoir and gravity mains to the Siyahlalala area will get 13 million rand activating the usage of our 2 newly built reservoirs in Newcastle west. Siyahlalala and Madadeni H39 will receive just under 10 million rands for bulk sewer systems also in preparation of approved housing projects in those areas.

Somlomo, we continue to implement the decision taken by the 7th Regional Conference of the ANC in the Emahalaneni Region to close down Uthukela water. The first of July 2013 will see Newcastle Municipality reclaiming our water reticulation system and the transfer of certain staff members. Bulk water will continue to be provided by the entity until a further decision in this regard is taken. We will investigate the refurbishment of this reticulation system within the operational costs that we were paying to the entity. We celebrate the fact that we have a 97% blue drop status putting us second in the province, and a green drop status for sanitation that places us third in KwaZulu Natal. We hope to sustain these illustrious service delivery awards.

## **PARKS, FIRE, WASTE AND TRAFFIC**

We have embarked on a very exciting revamp of some of our parks, with the Crawford street park and Madadeni park chosen as pilot projects. New age children's park equipment as well as outdoor fitness equipment, picnic areas, outdoor table tennis as well as beach volleyball will be key features in these aptly named Eco parks. Our intention is to roll out similar parks throughout the west and east, with new play equipment. In the west we have plans to upgrade three more parks, 2 of which will be the Amanath shopping centre park and the park near Hope High school. A third park will still be identified. We will also be creating a new park in our rural Johnston Blaauwbosch Cavan area and another park in Charlestown. We have also completed the tender process for a new contractor at Phelindaba for the Olympic sized swimming pool identified there. Sport will get a boost with two more futsal AstroTurf soccer fields, one in Madadeni and one in Osizweni. These courts are so well received and it is a real joy to see our youth using these facilities at all hours of the day.

Ingagane sports field will receive R100 000 for the upgrade of the tennis court in our new facility there. We plan for the next financial years to put an astro hockey court in Arbor Park and action cricket in Fernwood. Due to cries from the community, Lennoxton library will also get fenced during 2013/14. We are also glad to announce that R3,8 million will be set aside to fence the cemetery in Charlestown and R4,8 million will see us fencing the Rooi point cemetery after

numerous complaints from loved ones of the deceased that expensive headstones are being damaged by stray animals. Grass cutting will receive a further R1 million for more equipment as we continue the battle of keeping the town neat and tidy. We are continuously beautifying the city and we congratulate the department for the new traffic island and greenery on the road leading to Madadeni. The recent fire in the CBD once again highlights the issues in the fire dept.

Please do not think it is strange, when I quote myself from last year's budget address "The recent outbreak of fires within our city is a growing concern. We have come under serious criticism, and rightly so. The many years that this municipality did not spend on upgrading our equipment has now come back to haunt us. Although in the past three years we have managed to purchase three new fire engines as well as numerous other fire fighting equipment, it is not enough. We have already ordered a major fire fighting equipment, used for fighting fires in high-rise buildings, at a cost of R3,3 million. This should be delivered in the latter part of this year. We have also asked for a critical analysis of our department personnel and equipment, and will consider same during the year. We must also boost up our fire department team that go out to all buildings and check fire compliancy levels. It is important that buildings are in line with safety and fire regulations. In this regard we may also be reintroducing the business licenses for all businesses, to make sure that health requirements are also met."

Somlomo, it saddens me, when our political direction is not taken seriously. Whilst the new vehicle will be here in the next couple months, we still need to have a critical analysis of the personnel. There is no point in putting more advanced equipment when our fire fighters are not trained to put out fires, let alone use expensive equipment. In this regard, I am putting this department on terms. Should we not have this report and see a visible change in training programmes, council should recommend to the municipal manager to review the departments and its leadership. We continue to build our new pound and place a further R350 000 for a vehicle for small animals. Our refuse compactor trucks are notorious for breaking down, as most of them have run the course of reasonable repair, and we have managed to purchase three new trucks during this year. In the new financial year, we budget an unprecedented R14,8 million for new trucks and equipment. This will see four more compactor trucks being ordered, for the west and east. We will be also slowly phasing out the yellow tractors that collect refuse in the east. This money will also see the purchase of a new front end loader used at our waste disposal sites. Traffic department will get a boost with the installations of new parking meters within the next three months. This has been a sore point of many businessmen in the CBD and we take this opportunity to apologise to them for this



inconvenience. We will be also employing more traffic officers, and we have budgeted for traffic cameras to be leased, more especially at our traffic lights. We will continue with phase two of our CCTV roll out in the CBD, suburbs and townships, in our continuous fight against crime.

## **LAND AND HOUSING**

Whilst we have finally managed to put the sites behind St Dominic's up for sale, we continue to budget R8,8 million for more infrastructure in new sites in aviary hill. These sites will be serviced and sold by public tender for middle to high income users. Hon speaker, we also congratulate the department on receiving the level two accreditation with the Department of Human Settlements, but we are also proud that we are finally seeing the Approval of major housing projects. Siyahlalala, Madadeni H39, Khathide housing, Emawozeni and section E Osizweni, are just some of the projects that have finally been approved, and in some of them construction has already begun. You will notice that we are already budgeting for bulk infrastructure such as electricity, water and sewer in some of these projects. Our idea is to develop complete suburbs, and not just houses in the bush. We have also approved the zoning to include the Meadowland housing estate to fall within our social housing zone, so we will be seeing more low income users getting flats in these units. We continue to place or community residential units as a priority, planned for the area alongside link road and Arbor Park for rental units, creating housing infrastructure for middle income rent to own users.

## **JOB CREATION, YOUTH, POVERTY ALLEVIATION AND WOMEN AFFAIRS**

The Newcastle Municipality has led the way in KwaZulu Natal for the creation of jobs through the Extended Public Works Programme. The last batch of over 140 part time jobs has been created last week. We aim to continue to create more jobs, and this includes labourers employed in all our capital projects. Somlomo, it is time to critically assess our Municipalities approach to viable youth projects. I do not believe that we are doing enough to mobilize our youth, train them, employ them and entertain them. The youth council needs to be re-evaluated and serious decisions need to be taken in this regard.

Ihhovisi lika Meyu liyaqhubeka nokulekelela ngemali yokubhalisa (the office of the Mayor continues to provide much needed registration fees) for tertiary education to over 130 students over and above the assistance we receive from the Amajuba District Municipality through Her Worship, Mayor Jabu Khumalo. We have further assisted another 6 students with full bursaries for studies in

commerce and engineering. This brings our total to 12 students who we are assisting on a full time basis. We again budget for a further 6 students in this regard. There are numerous students we are forced to turn away because of limited resources and we make an appeal to local business to use our lists of students and at least assist them with registration fees. This is a mere 3 thousand rand per student per year. Educating our youth should be our number one priority. Our relationship with the Amajuba FET College remains strong and there are no youth who have been turned away from getting some skill from this College. Please make sure you give your child a skill and if you cannot afford to, approach your Ward Councillor or my office (thinta iKhansela lakho noma ihhovisi lami, sizokusiza **nomakanjani!!!**

In terms of women development, all our programmes need to benefit at least 50% of our woman in our town. Women entrepreneurs and young girls who need to study need to be given an equal opportunity within our municipality.

We continue with our poverty alleviation program which has in the past seen over 100 small businesses benefitting from this project with new equipment and mentorship. This financial year is no different and a further 2 million rand has been budgeted in this regard. Our economic development department has initiated its business retention and expansion program and we need to come up with an urgent plan of attracting more foreign direct investment in our city.

### ***RURAL DEVELOPMENT***

Izindawo zasemakhaya will receive a further boost in 2013/2014 financial year. We have already mentioned our electrification projects in most of these areas. Our water massification, the building of new VIP toilets and the building new play parks (ukwakha izindlu zangasese ezintsha kanye nezindawo zokudlalela abantwana bethu). A further 5,8 million rand will be put towards the building of the JBC hall and 3 million rand to the Charlestown hall while Charlestown cemetery will be fenced (siphinde sibiye namathuna ase Charlestown. We continue to build our brick manufacturing yard at a further cost of 3,7 million rand, the Ingogo fresh produce market at a cost of 4 million rand. This will help to create jobs in the rural areas. A further 2,5 million rand will be used for land acquisition in Blaauwbosch. This will take the formalization of Blaauwbosch township one step further.

### ***MUNICIPAL OFFICE BLOCK BUILDING***

Somlomo, we continue the construction of the super office block in the CBD with a further 110 million rand. This will be funded from our internal reserves. Whilst we expect continuous criticism in this regard we have to acknowledge that the municipality currently spends over 6 million rand a year for renting office space throughout the city. This does not make financial sense. The need for more office space and consolidation of all Departments under one roof will continue to exist for time immemorial. Had the mayor of Newcastle and its Council in 2003, 10 years ago taken this painful decision, we would have had this office block at a fraction of the price. If my Council does not take this decision today, the Mayor of Newcastle in 2023 will be moan the fact that he needs to build this block at over double of what we are paying today. We are therefore ready to take the body blows that we are receiving because of this decisive action as we understand full well that this is an investment in the future of our city. We have also budgeted 800 thousand rand to provide mobile offices for ward councillors and Sukuma Sakhe war rooms closer to their people.

### ***OPERATIONAL BUDGET***

Somlomo you will see that our operational budget now stands in the upper region of 1,4 billion rand. Due to massive cost cutting within the departments, we have a fully cashed back operational budget. We also have healthy reserves to the tune of 400 million rand which translates to cash coverage of over 7 months. The national norm is 3 months. Whilst the municipal block will be funded from these reserves, the capital budget of 406 million rand will be funded by way of government grants, municipal infrastructural grants funding and an external loan of 160 million rand to be taken as and when required.

Somlomo, we have been hard pressed to convey to our departments the need for a drastic cost cutting exercise within our operations. The Executive Committee and Council has led the way in this regard where no catering will be provided to EXCO and Portfolio meetings (ithathe isinqumo ukuthi angeke kusaba nokudla emihlanganweni ye EXCO kusakela mhlaka) 01 July 2013. Any meals provided to EXCO and Portfolio meetings will be charged to the salaries of EXCO members and officials.

S and T budgets have been slashed and we are insisting that officials travel less or share vehicles. We have also zoomed in on telephone and cell phone bills and will be charging officials for exorbitant phone calls. Over time and the use of consultants in this Municipality is endemic and we have tasked the Municipal Manager to investigate these issues and report back to EXCO. Debt collection is another issue we need to focus on. I applaud EXCO for once again leading in this

regard by personally visiting homes in our townships to query why our payments are not being made. A workshop by the finance Portfolio committee is planned for mid-April to come up with innovative ways of debt collection. All in all Hon Speaker, this progressive budget which sees to the needs of developing our townships and maintaining our suburbs comes at a small cost to the ratepayer. We are once again proud to keep our increases for rates, water, sewer and refuse collection to 7 percent across the board. We will also be passing the 8 percent increase of electricity from Eskom directly to our consumers with no addition. This financial year will also see the review of our property valuation role and you will see valuers on the streets by mid-year or sooner. This is in keeping with legislation that all roles must be updated every five years and implemented in the next year's budget.

### **AUDITOR GENERALS REPORT**

A clean audit continues to evade us and the qualifications we received in our last audit on our property plant and equipment and prior period errors will need to be addressed. We are committed to a clean audit by 2014 and will be advertising for a chartered accountant in the positions of Chief Financial Officer and Audit Executive within the next few weeks.

We sound the call to all departments to take heed of our seriousness in this regard, and we will not hesitate to focus on each transaction of irregular expenditure and charge officials for short circuiting the procurement process. Let this be a warning to all. We are running out of patience of been called to answer for your mistakes, and officials who want to continue this practice will surely find themselves outside the Municipality. Our Municipal Manager has the full backing of the Executive Committee to implement these drastic actions. Corruption will also not be tolerated, and all municipal officials are attending workshops on ethics, making certain that they understand the legislation and what is required by them. We appeal to business to be vigilant in this regard. As said before, we intend to create a world class city, where our residents receive value for money, quality services, equally! Where taxpayer's money is spent economically, transparently and with every sense of financial prudence. In this regard, Somlomo, I have themed this year's budget: "taking **Newcastle to the next level!**". It is our intention, now that we have sowed the seeds for a stable Municipality, to nurture it, and make it grow. Leaving behind a legacy of service delivery through infrastructure uplift meant for our people. Councillors will also find on their desks, a box that includes, a flower pot, seeds and soil. We expect you to plant this tree, as we have done for this council, nurture it, and make it grow!

I take this opportunity, Hon. Speaker, to thank all those who have assisted in the preparation of this budget. Our Municipal Manager Mr Kebone Masange, and our Chief Financial Officer Mr Muzi Mayisela deserve to receive special mention. Their teams and all SEDs have been outstanding in their commitment to see development take place whilst keeping costs down. We also thank the staff in the office of the MM and my staff in my office for putting this event together and assisting during the budget process.

My family, wife and children, who see less and less of me each day, deserve a special thank you from me. Having two young boys aged 5 and 2 is demanding for any family, and my wife manages to balance this extremely well whilst I remain an absentee father. My love goes out to you, Farhana. The members of the executive committee who suffered long hours and my ridiculous temper in my quest for perfection are acknowledged. I am sure that you understand that the success of this municipality is your success. In the words of the famous Hellen Keller, "one can never concede to creep, when one has the impulse to soar!"

I thank you

Ngiyabonga!!

## **2. DRAFT BUDGET RESOLUTIONS**

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- (a). That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2013/14; and indicative allocations for the two projected outer years 2014/15 and 2015/16; and the multi-year and single year capital appropriations be approved
- (b) That the revenue source that will be utilised to fund both operating and capital budgets be noted and approved.
- (c) That the Municipality's portion of the Uthukela Water (Pty) Ltd operating budget of R120,000,000 as reflected in Annexure A be approved for 2013/2014 financial year and two outer years (2014/15 : R136 329 746), (2015/16 : R145 872 828).
- (d) That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply water, electricity, waste services, sanitation services and property rates as set out Annexure F that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2013 for all services except for water and electricity consumption, which be levied on the new tariff with effect from 01 August 2013.
- (e) That the Tariff of Charges be approved.
- (f) That it be noted that Rates, Water, Refuse and Sanitations tariffs will be increased by 7% and other tariffs be increased by 10%.
- (g) That the new advertising bylaws and its revised tariff structure as contained in the Tariff of Charges be noted and approved.
- (h) That it be noted that the electricity tariffs have been provisionally increased by 8% pending NERSA decision and that Incling Block Tariffs be applied.
- (i) That in terms of the Indigent Policy, the monthly household earnings of an indigent application be capped at R3 000.
- (j) That the Customer Care, Credit Control and Debt Collection Policy be noted and approved.
- (k) That the Supply Chain management Policy be noted and approved.

- (l) That the Rates Policy be note and approved.
- (m) That the Tariff Policy be note and approved.
- (n) That the Debt Write-off Policy be note and approved.
- (o) Policy be note and approved.
- (p) That the Cash Management and Investment Policy be note and approved.
- (q) That the Budget Policy be note and approved.
- (r) That the Virement Policy be note and approved.
- (s) That the Fixed Assets Management Policy be note and approved.
- (t) That the Funding and Reserve Policy be note and approved.
- (u) That the Borrowing Policy be note and approved.
- (v) That the Petty Cash Policy be note and approved.

### 3. EXECUTIVE SUMMARY

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#### OVERVIEW OF THE MUNICIPALITY

Newcastle Municipality is located in the inland region on the Northwest corner of KwaZulu-Natal, a few kilometres south of the Free State and Gauteng provincial borders, in the foothills of the Drakensberg.

The municipality covers an area of 1,855 km<sup>2</sup>, has a population of 332,980 by Census 2001 figures and is made up of 31 wards.

The Newcastle municipal area is the most densely populated municipality in the District and constitutes 71% of the total population of the Amajuba District Municipality, and 3.5% of the total population within KwaZulu-Natal.

From the 2001 Census figures, Newcastle has a very young population with most being in the 15 to 34 age group. This implies that most are in the active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The income breakdown of Newcastle further qualifies the fact that there are limited formal employment opportunities in the area. More than 60% of the population has an income of less than R1 500 a month.

More than 48% have an income of less than R1000 per month. The number of people with no income has also trebled since the 1996 census. This has seen an increase in the indigent population from 220 to approximately 19,500 since March 2005. 60% of the population of Newcastle is mainly urban with 59,423 living in formal housing, 6,851 living informal settlements and 4,649 in traditional housing.

Newcastle is a secondary city offering employment opportunities to the surrounding rural hinterland and acts as the district's urban core. It therefore provides employment opportunities to the whole district. The greatest challenge is to provide housing accommodation and the essential services to meet the increasing demand especially around the urban core where a lot of informal settlements are sprouting up.

The following are the statistics for Newcastle drawn from the Census 2001 information presented by the Statistics South Africa.

Criteria	Newcastle %
Unemployment rate	54%
Population employed	27%
Population unemployed	32%
Population not economically active	40%



Criteria	Newcastle %
Access to electricity for lighting	84%
Access to refuse removal	71%
Piped Water inside dwelling	58%
Age group below 19	50%
Population with toilet connected to sewer	56%

The district as a whole is facing decline in GGP in all sectors. The economy of the district has experienced a change from a dominant manufacturing base to a services base.

There has been some growth in the trade, construction and community services sectors. The economy of Newcastle is however dominated by clothing and textiles, chemicals and metals. Although the district as a whole has a number of challenges due to the declining economy a lot of initiatives are underway to revive the economy.

### **Institutional Arrangements**

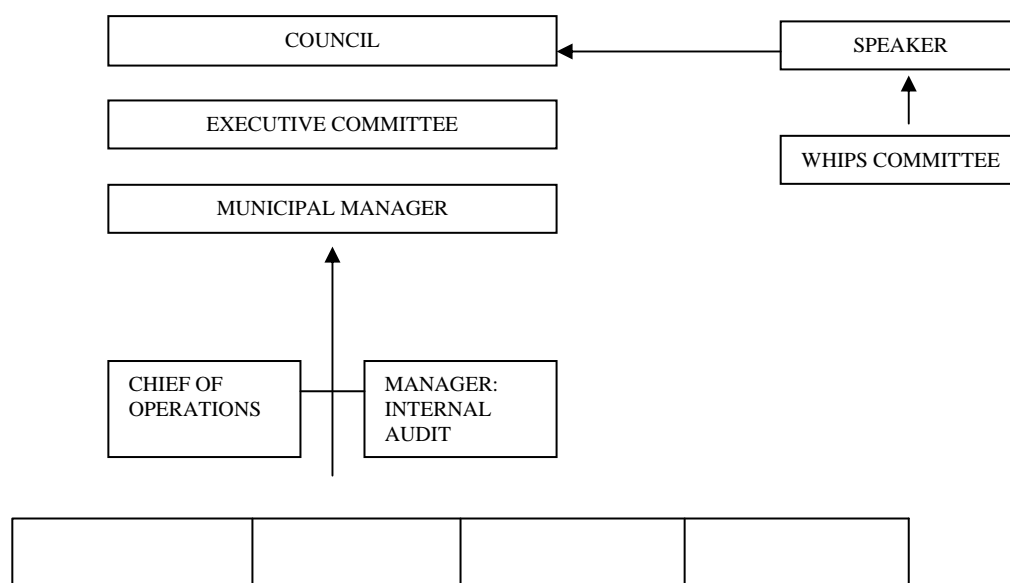
The Municipality has a staff compliment of approximately 1300 people, servicing areas of Newcastle, Madadeni, Osizweni, Blaauwbosch, Ngagane, Kilbarchan, and Charlestown.

The Newcastle Organogram (illustrated below), and as approved by Council, makes provision for a Municipal Manager, a Chief of Operations, Internal Audit, Legal Services and five Departments each headed by a Strategic Executive Director. The five Departments of the municipality are:

- Financial Services
- Corporate Services
- Technical Services
- Community Services
- Development and Planning Services

It should be noted that Council is still in the process of revising the structure which has been divided into two sections, being the macro structure and the micro structure. The macro structure has already been implemented by Council, and the micro structure is yet to be reviewed.

### **NEWCASTLE MUNICIPALITY: ORGANOGRAM**



SED: FINANCIAL SERVICES	SED: CORPORATE SERVICES	SED: TECHNICAL SERVICES	SED: COMMUNITY SERVICES	SED: DEVELOPMENT AND PLANNING SERVICES
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## COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS

### EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIALS	PORTFOLIO COUNCILLOR	POLITICAL PARTY	WARD
Mayor	Rehman A F	Financial services	ANC	PR
Deputy Mayor	Mdluli R N	Technical Services	ANC	13
Executive Committee Member	Hadebe T Z	Community Services	DA	PR
Executive Committee Member	Ndimba R B	Corporate Services	IFP	PR
Executive Committee Member	Kunene N P	Community Services	ANC	PR
Executive Committee Member	Lukhele S B M	Planning & Development	NFP	PR
Executive Committee Member	Ntombela B S	Corporate Services	ANC	12
Executive Committee Member	Shunmugan M	Planning & Development	ANC	3
Executive Committee Member	Vorster J A	Technical Services	IFP	PR

### COUNCIL

DESIGNATION	SURNAME & INITIALS	POLITICAL PARTY	WARD
Speaker	Zikhali M F	ANC	14
Councillor	Bam V V	IFP	PR
Councillor	Bhekiswayo M M	ANC	26
Councillor	Buhali M V	AZAPO	PR
Councillor	Buthelezi D R F	ANC	10
Councillor	Buthelezi S S E	ANC	8
Councillor	Cronje E	DA	2
Councillor	Damons J M E	DA	PR
Councillor	De Jager	DA	4
Councillor	Dube C L	NFP	PR
Councillor	Dube D X	IFP	PR
Councillor	Gabuza J K	ANC	24
Councillor	Gama F P	ANC	9
Councillor	Hlabisa T S	ANC	22
Councillor	Hlatshwayo M M E	ANC	PR
Councillor	Hlatshwayo S B	IFP	7

Councillor	Keeka I	DA	PR
Councillor	Khoza L G	ANC	5
Councillor	Kubheka C B	IFP	PR
Councillor	Kubheka S	ANC	1
Councillor	Madonsela H S	ANC	31
Councillor	Malindi H T	ANC	11
Councillor	Mashinini A M M	RLP	PR
Councillor	Matthews N S	ANC	15
Councillor	Mbatha J S	ANC	6
Councillor	Mbatha Z J	ANC	20
Councillor	Mbokazi M N	ANC	29
Councillor	Mlangeni M S	IFP	PR
Councillor	Mdlalose M O	ANC	19
Councillor	Mkhize C N	AZAPO	PR
Councillor	Mkhwanazi H N	ANC	30
Councillor	Mlangeni M G	IFP	PR
Councillor	Mlangeni M S	IFP	PR
Councillor	Mncube G A	FEDCON	PR
Councillor	Msibi N A	ANC	27
Councillor	Ndlovu S G	ANC	21
Councillor	Ngcobo M E	ANC	25
Councillor	Ngobese NJ	ANC	23
Councillor	Nhlapho C L	IFP	PR
Councillor	Nkosi D J Z	IFP	PR
Councillor	Ntshangase N T	NFP	PR
Councillor	Nyembe E M	ANC	16
Councillor	Nzuze T M	IFP	9
Councillor	Shabalala D O	ANC	28
Councillor	Sibilwane D M	ANC	17
Councillor	Thwala S M	ANC	PR
Councillor	Tshabala D E	ANC	18
Councillor	Zulu S J (Prince)	RLP	PR
Councillor	Zulu T M	IFP	PR
Councillor	Zungu E M	NFP	PR
Councillor	Zwane M E	NFP	PR
Councillor	Zwane M M	AZAPO	PR
Councillor	Zwane N A	ANC	PR

## SENIOR OFFICIALS

DESIGNATION	SURNAME & INITIALS
Municipal Manager	Masange K
Strategic Executive Director: Financial Services	Mayisela M J
Strategic Executive Director: Corporate Services	Hauptfleisch E

Strategic Executive Director: Technical Services	Dube S
Acting Strategic Executive Director: Community Services	Nkosi E.M
Acting Strategic Executive Director: Development and Planning Services	Nyathikazi E J
Chief of Operations	Mswane B E
Executive Manager: Legal Services	Nkosi E M
Manager Internal Audit	Ngwenya S

## **DRAFT MEDIUM TERM BUDGET 2013/14 TO 2015/16**

### **INTRODUCTION**

The purpose of the 2013/14 medium-term budget is to comply with the Municipal Finance Management Act (No.56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which informs the Newcastle Municipality's five-year programme and community/stakeholder inputs.

The tabling of the 2013/2014 budget was a statement of our commitment to the people of Newcastle, proposing a total budget of R1.9 billion, comprising R409.7 million for capital and R1.5 billion operating budget. The 2013-2016 multi-term budget posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget has been prepared in terms of the new Budget Format and Reporting Regulations. The tabling of draft budget was as a journey towards consultation processes with communities throughout the municipal area and all other relevant stakeholders, which will take place during April and May 2013. Comments and inputs from various stakeholders will be considered during the consultation process after which the final budget will be presented by His Worship, Mayor Afzul Rehman before the municipal council.

### **OPERATING BUDGET**

#### **Revenue**

The following are proposed tariff increases and other allocations as indicated below:

Assessment Rates	7%
Electricity	8%
Refuse Removal	7%
Water	7%
Sewer	7%

Revenue from property rates will increase by only 7% from the 2012/13 adjusted budget of R173.9 million. The rates revenue is projected to stand at R186.1 million in the 2013/14 financial year.

Electricity tariffs are expected to boost the operating revenue by R572.9 million, an increase of R70.6 million from R502.3 million in the 2012/13 adjusted budget. It should be noted

that the increase of 8% relates to NERSA tariff increase on average tariffs, and it be noted that municipality will also be purchasing electricity at an increase rate of 8% from NERSA.

Waste management is expected to generate about R68.6 million to the operating revenue, representing an increase of R5.1 million from the 2012/13 adjusted budget. This represents an increase of 7% from the adjusted budget of 63.5 million.

Revenue from water sales will increase from R135.5 million to R153.6 million, which is an increase of (R8.8 million). Water tariffs will increase by 7%. Revenue from sanitation will increase from R78.4 million to R84.4 million, which is an increase of R6 million

Total grant allocations to fund operating budget are expected to be R288.4 million, being the equitable share, the Municipal Systems Improvement Grant (MSIG), the Finance Management Grant (FMG) and various provincial allocations. The equitable share allocation to be received from National Government increased from R270.4 million to R276.6 million (R6.2 million).

Revenue from investments interest is projected at 17.4 million, being an increase of R1.3 million the adjusted allocation of R16.1 million for the 2012/13 financial year.

Total revenue for the 2012/13 financial year is estimated at **R1 417 882 130**.

### **Expenditure**

#### Employee Related Costs : R292.4 million (19.4% of Total Expenditure)

Employee related cost has increased by 7.6%. In terms of the Collective Agreement on Wages and Salaries signed by the Local Government National Bargaining Council, salaries increases for 2013/14 financial year will be based on the average inflation rate plus 1.25%. The consumer price index for the next financial year is projected to be 5.5%.

#### Councillors' Remuneration : R19 million (1.2% of Total Expenditure)

Expenditure of Councillors' Allowances increased from R17.8 million to R19 million.

#### Repairs and Maintenance : R92.2 million (6.1% of Total Expenditure)

Expenditure on repairs and maintenance is expected to decrease from 87.9 million to 93.1 million from the 2011/12 adjusted budget. This represents a decrease of 6%

#### Bulk Purchases – Electricity : R400 million (26.6% of Total Expenditure)

Expenditure on bulk electricity purchases remained unchanged from the previous financial year.

#### Agent Fees (uThukela Water) :8 of Total Expenditure)

The municipality's contribution to uThukela water increased from R119 million to R120 million which is an increase of 0.8%.

Debt Impairment: R90.1 million (6% of Total Expenditure)

Expenditure on bad debts is expected to increase from R83.8 million to R90.1 million. This is an increase of R6.3 million (7.5%). It should further be noted that the increase in bad debts is directly linked to the increase in the rates and service tariffs.

Depreciation: R229 million (15.3% of Total Expenditure)

Provision for depreciation is sitting at R229.5 million and is based on the asset register and the anticipated new capital acquisitions.

Finance Charges: R16.3 million (1.1% of the Total Expenditure)

Expenditure on finance charges is expected to increase from R11.3 million to R16.3 million. This represents an increase of R5 million (44%). This is due to additional loan that will be raised fund new capital projects. The municipal building will no longer be funded by the external loan but will funded by the municipality's internal funding.

General Expenses: R194.9 million (13% of the Total Expenditure)

Other general expenses are expected to increase from R180.1 million to R194.9 million. This is an increase of R14.9 million (8%).

Operating Deficit R82.1 million

Council has approved its draft budget with an operating deficit of R82.1 million. In terms of MFMA circular no 42, the municipality's budget need not to balance but must be funded. The municipality's budgeted cash flow yields a cash surplus which means that the municipality's budget is adequately funded.

**CAPITAL BUDGET : R409.7.8 MILLION**

Funding Sources

The total capital budget for the 2013/14 financial year amounts to R409.7 million, which will be funded as follows:

FUNDING SOURCE	2013/14 DRAFT BUDGET	2014/15 DRAFT BUDGET	2015/16 DRAFT BUDGET
External Loans	162 400 000	126 889 000	
Internal Reserves	110 800 000	110 000 000	123 950 000
Grants	136 500 000	180 390 000	99 700 000

## ISSUES NOT ADDRESSED IN THE 2013/14 BUDGET

### Operating Budget

- Filling of all critical vacant positions as per new department structures
- Possible demands for higher salary increase than budgeted, especially back pays in terms of the Wage curve and Categorisation Collective Agreement.
- Potential cash outflow due to the under provision for bad debt provision.
  - Free basic electricity limited to 50kW to indigent households.

### Water Budget

- Funding to address water infrastructure problems may be inadequate.
- Provision of funds to implement and monitor water restrictor system.
- Free basic water limited to 6kl to indigent households.

## ALIGNMENT WITH NATIONAL AND PROVINCIAL PRIORITIES

The Newcastle Municipality's IDP and Medium-term budget need to align with national and provincial initiatives to ensure optimal impact from combined effort of government. The Municipality is confident that this budget is structured to give effect to the strategic priorities and support long-term sustained growth and development in line with National and Provincial objectives.

The following priorities are part of National Government's framework to enhance the social, cultural and economic welfare of all South Africans.

- Expanding investment in the built environment and increasing access to basic services
- Enhancing skills and quality of education
- Reducing levels of crime and enhancing citizen safety
- Improving the provision of healthcare and broadening programmes
- Sustaining employment growth through increased public investment spending

The 2013/14 medium term budget seeks to address a number of these priorities by, amongst others, wider provision of municipal services, free basic services for indigents, initiatives to encourage capital spending to provide a vast public infrastructure.



## **5. BUDGET TABLES AND RELATED CHARTS**

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As attached in Annexure A - A1 Schedule

### 5. OVERVIEW OF BUDGET PROCESS

#### Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

#### Schedule of Key Deadlines Relating of Budget Process

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2013/14 budget cycle was approved by Council during August 2012 in compliance with the MFMA.

#### Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the draft budget and also invite the local communities to submit representations thereon. Accordingly the tabling of this draft budget in the Council on 26 March 2013 will be followed by the following activities:

- The summarised draft budget and consultation meetings will be published in News Letter
- Draft budget will be submitted to Provincial and National Treasuries as well as Department of Provincial and Local Government
- The Draft budget will be presented to the IDP Representative Forum
- The Draft budget will be presented to the Ward Committees
- Public meetings will be held in various wards
- The Draft budget will be presented to the Business Community
- The Draft budgeted document will be generally distributed to libraries and other municipal offices to allow the wide invitation of comments and representations to the draft budget.

The public budget road show meetings will take place during April and May 2013. The schedule of budget road shows will be publicized in the local newspaper, website, and libraries as well as in the municipal notice boards.

## **6. OVERVIEW ALIGNMENT OF IDP AND BUDGET WITH, MONITORING AND IMPLEMENTATION THROUGH SERVICE DELIVERY BUDGET IMPLEMENTATION PLANS**

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### **PURPOSE**

This document presents an Integrated Development Plan (IDP) for Newcastle Local Municipality (NLM). The IDP is prepared in compliance with the requirements of Chapter 5, particularly Section 25 of Local Government Municipal Systems Act (32 of 2000), which obliges a municipal council to adopt a single, all inclusive and strategic plan for the development of the municipality, within a prescribed period after the start of its elected term. It outlines a development agenda for the municipality for the next five years. The Newcastle Municipality has undertaken its third round of its IDP process after the inception of new Council after 18 May 2011 local government elections.

### **INTRODUCTION TO NEWCASTLE MUNICIPALITY**

Newcastle Local Municipality is one of the three local municipalities that make up Amajuba District. This is required located on the northwest corner of KwaZulu-Natal, and borders onto Free State and Mpumalanga provinces to the west and north respectively. Utrecht and Dannhauser local municipalities are located along the eastern and southern boundary. It covers an area of approximately 1854km<sup>2</sup>. Total population in the NLM is estimated at 363236 people spread unevenly among the thirty one (31) wards with nearly 80% residing within the Newcastle East. Newcastle population is relatively young with 46% of the population being younger than 19 years of age, while the age group between 20 and 34 years accounts for 27% of the population. Newcastle accounts for 73% of the district population.

The municipal boundaries were delineated in terms of the Municipal Demarcation Act, (Act No. 27 of 1998) and takes into account population movement trends, regional economic patterns and current land use pattern. As such, the boundaries are not just administrative, but are also intended to promote social and economic development while also strengthening regional economic and functional linkages. Newcastle is well placed to benefit from regional economic growth given its strategic location at the nexus of major tourism, logistics, farming and industrial routes, and as the seat of government in KwaZulu Natal. Newcastle is centrally located in the northern region, of KZN halfway between Johannesburg and the harbours of Durban and Richards Bay, contributes to the export of manufactured goods, as well as for distribution to the Gauteng market. Newcastle is also provided with good access infrastructure to these areas, which includes road and rail networks. It is situated on the national rail route between the Durban Container Terminal and City Deep in Gauteng, and has within its confines, major rail exchange yards, supporting railway stations and extensive goods conversion/warehousing facilities.

### **DEVELOPMENT STRATEGY**

NLM development strategy is based on a long-term vision, but acknowledges the significance of issues that needs to be addressed in the short to medium term. As such, the municipality has formulated development goals that seeks to address the challenges facing the institution currently and reposition the area in a development path as follows:

- To develop Newcastle as a service and industrial hub.
- To eradicate all forms of poverty and destitution/indigence.
- To be an example of service and governance excellence.
- To improve the quality of life.

- To achieve environmental sustainability.
- To promote gender equality and empowerment.

In the short to medium term, the municipality will initiate projects with clear targets and outputs towards the attainment of these goals. It will accelerate delivery of services and gradually consolidate outcomes so as to attain the desired future situation.

Particular focus will be paid to the following key areas of strategic intervention:

- **Spatial integration and environmental sustainability:** Particular focus will be paid on developing systems and procedures for effective land use and environmental management.  
Local economic development: The municipality has a responsibility to create a climate conducive for public and private sector investment. As such, the municipality is committed to work with other government agencies and departments to deliver state of the art economic infrastructure that will facilitate development of effective service and industrial sectors.
- **Service delivery and infrastructure development:** The NLM is the sphere of government that is closer to the communities. This bestows a huge responsibility to delivery services where the municipality is directly responsible and coordinate the delivery of services that fall outside the constitutional obligations of the municipality.  
Municipal transformation and organisational development: The attainment of development goals as outlined above requires the municipality to establish effective systems and procedures for both municipal administration and local governance. This includes attracting and retaining well trained, experienced and committed employees.
- **Municipal financial viability and management:** Funds will be a critical input in process towards the attainment of the above-outlined goals. As such, it is critically important to ensure that the municipality is able to generate sufficient funds to be able to deliver services and facilitate development. Also important is ability to account for the use and disbursements of public funds.
- **Good governance and public participation:** The municipality is committed to putting in place systems and procedures for accountable local governance. This includes oversight responsibilities, auditing function, risk management, etc. Members of the public will be kept informed and engaged in all municipal affairs.

## STATUS QUO ANALYSIS

Future development within NLM should respond directly to the development trends, patterns, needs and aspirations of those who live and/or work within the area. It must be relevant to the local context while also contributing to the attainment of the provincial and national development imperatives. This section provides a detailed analysis of the current development situation within the NLM. It is structured substantially in accordance with the Key Performance Areas (KPA), but also considers issues that are pertinent to Newcastle Municipality. The national KPA's are as follows:

- Social and economic development.
- Infrastructure development (service delivery).
- Institutional development and corporate governance
- Financial management
- Democracy and good governance.
- Spatial planning and Environment

## SOCIO-ECONOMIC PROFILE

### DEMOGRAPHIC PROFILE

#### POPULATION SIZE AND GROWTH PATTERNS

The official government figures reflected in the 2011 census data estimates the total population of the NLM to 363 236 people. This marks a net population increase of 0.87% per annum between 2001 and 2011. It is noted that between 1996 and 2001, population increased by 2.93% per annum. This means that although the population continues to increase, rate of growth is declining.

Table 1: Population Size – Amajuba District and Newcastle Municipality

TOTAL POPULATION BY MUNICIPALITIES	TOTAL POPULATION		% POPULATION GROWTH	
	2001	2011	2001	2011
Newcastle	332981	363236	2.93	0.87
Emadlangeni	32277	34442	6.00	0.65
Dannhauser	102779	102161	0.71	-0.06
Amajuba	468036	499839	2.61	0.66

Source: Stats SA, 2011 Census Data

This trend is characteristic of the whole district with municipalities such as Dannhauser recording a negative growth rate. Population growth rate in Newcastle is above district average of 0.66% making Newcastle the fastest growing municipality in the district in terms of population.

Newcastle accounts for 73% of the district population. 20% of the district population resides in Dannhauser while only 7% is found in Emadlangeni Municipality.

#### SOURCES OF ENERGY

The municipality with the assistance of ESKOM has made substantial progress with the provision of electricity throughout its area of jurisdiction. 69 800 and 73 449 households are using electricity for cooking and lighting respectively. The number of people using sources of energy such as paraffin, wood, gas, coal, etc has declined substantially.

However, there is a few areas where lack of services has been reported. These include informal settlements and areas that were settled after the settlement was electrified.

#### ACCESS TO WATER

Water supply infrastructure in Newcastle Municipality varies between areas reflecting the impact of separate development and urban bias of the past planning and development practices. Newcastle town is generally well provided with water while a few households in Madadeni and Osizweni Townships are experiencing shortage in this regard. Severe backlogs have been reported in rural wards where the level of backlog is high. A review of the 2011 census data reveals that 50% of the population has water inside their dwelling units. However, a significant number of people (more than 35% still obtain water beyond a 200m radius of communal stand pipes. People who do not have access to piped water account for only 4% of the total population.

The Newcastle Municipality, in line with National policy on FBW, makes budgetary provision of 12kl per household for indigent families, funded through the Equitable Share. The recently updated

Water Services Development Plan (WSDP) indicates that there has been a reduction of 18% in water backlogs between the 2002 and 2010 with an existing water service backlog of 24%. Breakdown of the level of access to water by municipal wards is indicated on the table below:

Table: 6: Access to Sanitation by Wards

Source of water services provider)	Regional/local water scheme (operated by municipality or other water									
stagnant water	Borehole	Spring	Rain water tank	Dam/pool/						
stream Water vendor	River/	Water tanker	Other							
Municipal Wards	851	933	452	93	94	258	20	341	87	
Ward 13 242 6	1	2	1	1	5	5	20			
Ward 22 294 16	1	3	9	12	8	7	34			
Ward 32 789 6	-	7	3	1	8	13	9			
Ward 42 873 7	1	1	3	1	6	4	8			
Ward 53 821 82	11	29	5	7	55	552	249			
Ward 63 216 32	2	15	6	5	20	93	239			
Ward 71 765 17	-	1	2	-	5	49	22			
Ward 83 632 11	-	3	-	-	4	5	70			
Ward 92 108 2	-	1	1	-	5	7	38			
Ward 10	2 436 8	4	1	4	-	12	4	32		
Ward 11	1 701 31	7	2	1	-	7	14	68		
Ward 12	1 667 3	3	1	-	-	2	7	6		
Ward 13	3 287 13	5	2	2	-	-	89	214		
Ward 14	1 444 216	27	5	12	4	13	280	212		
Ward 15	2 613 117	2	7	2	-	5	17	345		
Ward 16	2 368 8	-	-	-	-	25	1	7		
Ward 17	2 148 99	-	1	-	-	20	29	277		
Ward 18	2 215 21	7	1	6	1	2	230	22		
Ward 19	3 705 41	1	4	-	-	12	11	17		
Ward 20	2 583 118	5	76	2	12	17	149	136		
Ward 21	1 949 1	-	2	-	-	5	4	1		
Ward 22	1 800 7	-	2	-	-	11	112	9		
Ward 23	2 906 25	2	1	2	-	3	4	17		
Ward 24	3 382 301	1	2	-	5	6	-	13		
Ward 25	1 601 4	-	1	1	-	2	1	8		
Ward 26	2 453 6	-	-	2	-	5	1	14		
Ward 27	1 633 2	5	1	4	1	1	7	8		
Ward 28	2 497 2	-	2	1	-	8	17	8		
Ward 29	2 576 13	2	7	5	1	5	87	24		
Ward 30	2 171 87	4	1	1	2	9	270	81		
Ward 31	75 725 2 235	545	278	169	312	305	2 411	2 292		
Grand Total	75 725 2 235	545	278	169	312	305	2 411	2 292		

Source: Stats SA, 2011

The graph below illustrates the demand for water and indicates the crisis that might face NLM is water issues are not given priority within LM.

## ACCESS TO SANITATION

Similarly, the peri-urban and rural areas with the JBC and rural settlements in the Khathide and AmaHlubi communities are characterised by high sanitation backlogs. The JBC node has no sewerage reticulation in place. The residents rely on over 15 000 ventilated improved pit (VIP)

latrines. Most of the VIPs are full and the Municipality spends about R1,0 million every month in de-sludging the VIPs. Plans are underway to formalize Blaawbosch and considerable sewage flows are expected.

Source: Stats SA, 2011

A breakdown of level of access to sanitation by municipal wards is indicated in the table below. 688 people said to be on bucket system is a source of concern and will be attend immediately.

Table: 7: Access to Sanitation by Wards

MUNICIPAL WARDS	NONE FLUSH TOILET (CONNECTED TO SEWERAGE SYSTEM)		FLUSH TOILET (WITH SEPTIC TANK)		CHEMICAL TOILET		PIT TOILET WITHOUT VENTILATION		BUCKET	
TOILET WITH VENTILATION (VIP)	TOILET	OTHER	TOILET	OTHER	TOILET	OTHER	TOILET	OTHER	TOILET	OTHER
Ward 1168	456	343	87	136	1777	36	124			
Ward 22	3259	14	-	2	-	2	2			
Ward 319	2339	2	-	10	6	1	6			
Ward 4-	2802	9	-	15	4	-	5			
Ward 52	2888	3	-	3	2	-	7			
Ward 6440	28	23	583	1577	1993	22	145			
Ward 7329	804	38	170	1151	891	241	4			
Ward 821	1673	99	4	53	2	4	7			
Ward 9337	1917	52	128	702	546	10	32			
Ward 10	62	2075	19	-	2	1	1	2		
Ward 11	18	1649	42	283	9	122	7	372		
Ward 12	42	17	12	21	21	1580	2	137		
Ward 13	7	1505	1	6	5	148	10	7		
Ward 14	14	75	13	422	1180	1851	42	15		
Ward 15	85	7	5	35	44	1868	7	163		
Ward 16	156	18	12	28	91	2659	19	127		
Ward 17	17	2169	17	1	3	138	28	37		
Ward 18	65	333	49	160	143	1691	18	117		
Ward 19	31	1006	20	559	253	617	3	17		
Ward 20	68	3253	201	17	9	17	168	58		
Ward 21	24	1970	240	127	88	620	4	25		
Ward 22	2	1878	53	2	-	-	22	3		
Ward 23	1	1608	270	2	1	12	6	39		
Ward 24	17	2864	19	1	21	2	3	34		
Ward 25	120	2444	10	4	14	1040	5	73		
Ward 26	11	1600	2	-	-	1	-	3		
Ward 27	6	1651	19	139	481	6	6	173		
Ward 28	5	1643	10	1	2	-	-	-		
Ward 29	36	1325	71	186	675	230	3	8		
Ward 30	78	1724	18	118	328	383	13	57		
Ward 31	115	54	18	897	817	707	3	16		
Grand Total	2298	47034	1705	3981	7836	18914	688	1816		

## VISION, MISSION AND CORE VALUES

The following vision and mission statement for Newcastle Municipality were formulated at a strategic planning session with active participation of both the political and administrative

components of the municipality. The vision commits the municipality to sustainable, integrated, equitable and effective development.

## NEWCASTLE MUNICIPALITY DEVELOPMENT VISION

### MISSION STATEMENT

The mission statement acknowledges the objects of local government as outlined in various local government legislation and given effect through the IDP and the associated sector plans. It also seeks to align the municipal strategic activities, structure and resource allocation with the powers and functions as prescribed in the Constitution.

### LONG-TERM GOALS

NLM development strategy is based on a long-term vision, but acknowledges the significance of issues that needs to be addressed in the short to medium term. As such, the municipality has formulated development goals that seeks to address the challenges facing the institution currently and reposition the area in a development path as follows:

- To develop Newcastle as a service and industrial hub.
- To eradicate all forms of poverty and destitution/indigence.
- To be an example of service and governance excellence.
- To improve the quality of life.
- To achieve environmental sustainability.
- To promote gender equality and empowerment.

### KEY DEVELOPMENT CHALLENGES

#### REGIONAL ROLE AND SIGNIFICANCE OF NEWCASTLE

The identification of Newcastle as an important secondary investment node with potential for industry, agriculture and tourism, indicates its importance on a regional and provincial scale. Newcastle is strategically located halfway between Johannesburg and the harbours of Durban and Richards Bay, and is well connected to these centres by means of both rail and road infrastructure. The N11, P612 and the P483 are some of the roads running through the NLM serving a national, provincial and regional function.

The town serves as an administrative and economic hub for the north-western part of KwaZulu-Natal. This includes the whole of Amajuba District and some of the surrounding areas in Mpumalanga Province and Umzinyathi District. This raises a key question whether the town is developed with sufficient infrastructure and has enough capacity to play its role as a sub-regional economic hub. Some of the critical infrastructure includes tertiary education and health facilities, regional government offices and sports facilities. Equally important is the ability to create employment opportunities and absorb the urbanising labour force. Therefore, planning for the future development of the NLM should go beyond a narrow focus on local issues and incorporate regional social and economic issues.

#### URBANISATION – SUSTAINABLE HUMAN SETTLEMENTS

Urbanisation is the process in which the number of people living in cities increases compared with the number of people living in rural areas. An area is considered to be urbanised when over 50% of its population lives in urban places. Rate of urbanisation in Newcastle has been very rapid, resulting in the development of settlements along P483 in particular as linear settlements from



KwaMathukuza through JBC to Khathide in the north. Rapid urbanisation brings with it many problems as it places huge demands on land, water, housing, transport and employment. In Newcastle like many other South African Towns, apartheid has made the problems of urbanisation more complex. Urbanisation of black people was made difficult by forcing them to live in areas far from the town. With the lifting of racial restrictions on where people may live and work, many unemployed people have migrated to urban centres such as Newcastle in search of work, bringing their families with them. The shortage of accommodation in town has forced them to live in informal settlements hence the informal settlements that are spread throughout the area with huge concentrations in the eastern areas. Land under the control of Ubohlebozinyathi Community Authority has also been specifically targeted as these areas present opportunities for a rural lifestyle in an urban context. This presents the municipality with a challenge to devise strategies to manage the urbanisation phenomenon, and ability to undertake pro-active planning in anticipation of population growth. All housing projects undertaken to-date have been reactive.

### INEFFICIENT SPATIAL STRUCTURE

While the regional economic development forces remain one of the main structuring elements within the NLM, the past apartheid policies have had a profound impact on the structure and functionality of the area. It fragmented communities, marginalised their economic activities and undermined their participation in the economy. It located people in areas with poor access to urban services and facilities, and effectively entrenched the philosophy of unequal development.

The NLM could broadly be described as an apartheid region in the sense that it embodies most if not all the attributes of apartheid spatial patterns. These include the following:

- Low density sprawl which is fuelled in the Newcastle West by anti-city values of suburbia which promotes large plots as an image of good urban living. Factors that contribute to urban sprawl includes continued existence of low density residential suburbs designed in terms of garden city concepts, and entrenched into the Town Planning Scheme through inflexible density controls and scheme clauses such as coverage, minimum site sizes and permissible uses, and easy access to land for settlement in the east.
- Cellular development pattern that occurs in relatively discrete pockets based on the introverted concept of neighbourhood unit or super block. This has given rise to a coarse grain urban environment characterized by single dwelling units and building ancillary thereto on large plots of land (garden city concept). As such there is a high impact on available land in relation to population size, and travel within the city is costly in terms of time. This gives rise to inefficiency in the use of energy, transportation and movement, and delivery of services.
- Separation of land uses, urban elements, races and income groups. The dominant land use pattern resembles a series of relatively homogenous blobs of different uses tied together by high speed transport routes. The separation of places of work and residence was deeply entrenched in the philosophy of urban management. A large number of the poor are living on the urban periphery further away from the opportunities.

Despite businesses being attracted to decentralised locations, the central area has shown some resilience in that new businesses have moved in to occupy space vacated by those who have moved to decentralised locations. However, decay/decline is evident in some sections of the central area.

The combined consequences of these spatial patterns have been phenomenal leaving the area with entrenched inequality and functional inefficiency. It created islands of spatial affluence in a sea of geographical misery (CSIR, July 2002:4). It created a distorted, fragmented, incoherent and inefficient settlement pattern. It also gave rise to spatial, social and economic exclusion of certain race groups to the benefit of other, and created a poorly functioning land and housing market.

## ECONOMIC STAGNATION

Over the last few decades, the economy of the Newcastle Municipality area of jurisdiction experienced variable trends marked, in all, by shift from one sector to the other and general decline in both output and performance. Although some mining activities are still evident in the area, it is no longer appropriate to regard Newcastle as a coal mining town. The same applies to agriculture. Both sectors have shed a number of jobs and their contribution to the local economy is at the lowest point ever. Manufacturing remains the main economic activity in the NLM, but is itself facing a number of structural challenges which if not addressed at this juncture will relegate this sector into insignificance. These challenges include the dominance of the clothing and textile sub-sector which implies the lack of economic diversity, poor labour conditions in some of the factories and lack of new investment. In the light of this, there is an urgent need to redefine the role of Newcastle in the provincial and national economy. This may include the identification of new sectors, diversification of some existing factors and strengthening functional integration between Newcastle Town and the surrounding rural hinterland. Tourism development is also one of the key sectors that need to be explored.

## POOR ACCESS TO SOCIAL FACILITIES

Huge backlogs in the delivery of public services have been identified as one of the key issues facing Newcastle Municipality. It manifests itself in the following forms:

- Poor condition of schools, which does not contribute to building a culture of learning and teaching.
- Poor access to institutions for early childhood education. This field has been identified by the national government as a priority area of intervention.
- Poor access to health services which affects delivery of primary health care. The latter is a strategy used by the national government to deliver health services.
- Poor access to library services which also affects the development of a culture of learning and teaching.
- Poor access to welfare services including pension pay points, magistrate services, etc.
- Poor access to cemeteries.

Attention should be given to lack of sportfields, parks and swimming pools in the MBO area in order to revive the sport in Newcastle considering that the municipality has a history of producing world stars on soccer.

## INFRASTRUCTURE BACKLOG

Access to basic services is one of the main elements of socio-economic wellbeing of an area. The status of the physical and economic development level of a community such as that of Newcastle is often measured based on the provision and quality of infrastructure for technical services, i.e. access to roads, electricity, water and sanitation. These are found to be a huge challenge for Newcastle Municipality whereas the town suffers from maintaining of existing services while rural areas have no basic services at all. In addition, the Newcastle Local Municipality is challenged with the maintenance and development of basic road and storm water infrastructure to serve the local community, particularly in the Newcastle East. This will be severely constrained by limited financial resources. Public transport plays an important role in the economy of Newcastle and deserves some attention in the planning efforts of the municipality.

## POOR QUALITY OF THE ENVIRONMENT

The quality of the environment within the NLM requires an urgent attention. This is symbolized mainly by the following:

- Deteriorating quality of water due to mining activities, pit latrines, use of pesticides and fertilizers, and other water contaminating activities.
- Poor air quality due to emissions. Equipment for air quality monitoring is in place but has not been maintained. Closer collaboration with local industries needs to be developed in this regard.
- Urbanization which results in the establishment of settlements in areas that is unsuitable for human habitation. These include floodlines, wetlands, etc.
- Waste collection and disposal. The municipality needs to work together with local communities, particularly in the townships to develop community based programs for keeping the area clean.
- General lack of active open space in the NLM, particularly the township areas.
- Dirt roads which also contribute to a sterile environment.

## FINANCIAL MANAGEMENT AND ACCOUNTING

The general lack of requisite knowledge by the finance team on GRAP/GAMAP requirements culminates in:

- An inability to account for financial accounts in line with GRAP/GAMAP accounting standards;
- Reliance on consultants in preparing financial statements in line with GRAP/GAMAP requirements by municipalities already converted from IMFO to GRAP/GAMAP;
- Lack of preparedness by those municipalities still to convert to GRAP/GAMAP requirements; and
- Financial systems not geared towards GRAP/GAMAP requirements.

In addition, the financial diagnostic report identifies the following challenges in financial administration, management and reporting within municipality:

- Lack of systems of internal controls to manage assets evidenced by asset registers not updated when acquisitions, impairments or disposals are made. Reconciliations of the asset register to the general ledger not performed. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.
- Inadequate revenue collection systems within municipalities evidenced by low recovery of amounts owed for municipal services from consumer debtors, Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts, Lack of advice to the council on revenue enhancement mechanisms.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

## HIGH RATE OF POVERTY

Poverty manifests itself in different dimensions with income poverty and human poverty being the most common. Income poverty refers to the lack of sufficient income to satisfy basic food needs and essential non-food needs such as clothing, energy and shelter. It arises from a high rate of unemployment, poor access to productive resources, lack of marketable skills and general lack of job opportunities. Human poverty broadly refers to the lack of basic human capabilities and it arises from high representation of the members who cannot read, write and numerate food insecurity, malnutrition, declining life expectancy, increase of sickness and deaths related to preventable diseases and poor access to basic services. Overcrowding also contributes to this situation.

## IMPACT OF HIV AND AIDS

Accurate statistical information about the prevalence of HIV and AIDS in the NLM could not be obtained. However, AIDS has generally been identified as one of the key factors that will influence development over the next few decades. HIV and AIDS will lead to a range of social and economic problems including the following:

- Increase in the dependency ratio as the number of the economically active who dies of AIDS increase.
- Increase in the number of orphans, which in turn may put strain on the limited welfare budget.
- Decline of population with 20 and below years of age.
- Increase in the number of households with members who need special care and treatment thus putting burden on their families, particularly women who are often the ones who look after the sick in addition to their daily activities
- Slowing of population growth.
- Lack of income in cases where breadwinners die of AIDS.
- Low productivity rate.

## DEBT MANAGEMENT

Newcastle Municipality has a total debt roll amounting to R 748 934 335. The majority of this is more than 180 days old. Individual households account for R647 851 436 of this amount while government departments owe about R23 174 411. This situation arises from a number of factors including the following:

- Lack of control over excessive water leaks is the main and major contributing factor for low payment factor – where does a person start paying an account when it amounts to thousands of rands.
- Indigent using excess water – about 14100 indigent accounts have arrears of R 178 million leaving only about 7000 accounts having balances of less than R 500.
- Electricity meter audit not yet finalized – awaiting technical section report
- Lack of community and or buy in from communities
- No policies regarding water leaks other than that account is to be paid
- Need an improved customer care facility, i.e. call centre, with a proper query recording system.

However, the politicians are showing the political will to resolve this predicament by resolving that a Task Team needs to be established with a clear plan to improve the payment factor.

## LACK OF FINANCIAL DISCIPLINE

Lack of systems of internal controls to manage assets evidenced by:

- Asset registers not updated when acquisitions, impairments or disposals are made;
- Reconciliations of the asset register to the general ledger not performed;

- Regular verifications of assets to ascertain existence and condition not in place.

A lack of these processes contribute to delays in the submission of financial statements due to difficulties encountered in reconciling general ledger / trial balance to corresponding supporting schedules. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.

Inadequate revenue collection systems within municipalities evidenced by:

- Low recovery of amounts owed for municipal services from consumer debtors;
- Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts,
- Lack of advice to the council on revenue enhancement mechanisms.
- Extraordinarily large provisions for doubtful debts being posted on the Annual Financial Statements.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

## 7. MEASURABLE PERFORMANCE OBJECTIVES

### Draft Key Performance Indicators

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To increase the payment factor to 90% by 2011 - To encourage non-indigent consumers to pay	To implement Credit Control policy	Percentage increase in payment factor
DEMOCRACY AND GOVERNANCE	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure functional Ward Committees by 2007	Number of Ward Committee meetings held
DEMOCRACY AND GOVERNANCE	Financial Viability and Community Communication	MUNICIPAL MANAGER	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure a functional IDP RF	Number of IDP RF meetings held
DEMOCRACY AND GOVERNANCE	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To develop mass communication mechanisms	Number of imbizo's , road shows etc
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To ensure an effective and efficient Financial Management System by 2010	To investigate a Phased approach for the review of the FMS to integrate with other Internal ICT systems	As per project process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	ADMINISTRATION	Implementing the Property Rates Act	To finalise the Valuation Roll for implementation of the Act in 2008'2009	As per process plan

<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORATE</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMANCE INDICATOR</b>
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To Improve revenue base	To ensure that land is available for development	Percentage of available land alienated
FINANCIAL VIABILITY	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To ensure and effective and efficient Asset Management System for identified functions	To develop and implement Asset Management Plan for : - Water and Sanitation - CBD road infrastructure - Fleet Management	As per process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To ensure that service levels/standards are linked to the ability to pay for services	To ensure that all new developments comply with service standards within the beneficiary ability to pay for services	Number of social compacts signed
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To facilitate the reduction of unemployment by 20% by 2011	To promote/facilitate employment	Percentage reduction in unemployment
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To promote the development of SMME's and encourage BBBEE's	Number of workshops held
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To stimulate foreign investment	Number of new business/industries attracted
INFRASTRUCTURE AND SERVICES	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To promote and create a conducive environment for economic growth	To improve infrastructure needs to meet demand	Percentage of infrastructure budget spent for new developments

<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORATE</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMANCE INDICATOR</b>
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To develop and implement an Investment and Marketing Strategy by 2008	Number of new jobs created
FINANCIAL VIABILITY	Job Stimulation and Local Economic Development	HOUSING AND LAND	To promote and create a conducive environment for economic growth	To audit all properties in Municipal area.	Progress report
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To facilitate the re-opening and rehabilitation of Mines	Rehabilitation of Mines.	Progress report
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that 10km of Urban Access roads and relevant storm water drainage of inaccessible roads in previously disadvantaged areas to a TAR level is addressed annually	Identify priority Urban Access Roads for upgrading	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To improve infrastructure needs to meet demand	To develop a Storm water Master Plan	As per process plan
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that all Main Taxi Routes are tarred	Investigate costs for the upgrading of Main Taxi Routes	As per process plan
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	Budget Guidelines to include minimum maintenance requirements	Percentage of budget spent



<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORATE</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMANCE INDICATOR</b>
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	A 5 year maintenance plan be developed (Identify roads and prioritize as per IDP)	Progress Report
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	Paving of sidewalks and access roads	Identify areas of high risk for prioritization and costing	Progress Report
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	TOWN PLANNING	TO ensure that all street names are finalized for previously disadvantaged areas	To finalise and implement street naming policy	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To ensure 50% of housing backlogs as per the waiting list being addressed by 2011	Identify suitable land for housing development for 12500 household	Percentage reduction of backlogs
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To ensure that 100% of beneficiaries of the EEDBC is addressed by 2008	In progress	Percentage of transfers finalised for beneficiaries approved for EEDBC
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	Improve Customer Satisfaction	Review, implementation and monitoring of Customer Care Policy	Reduction in number of complaints received
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To Access additional funds for housing develop	To package applications for approval by DoH – In progress	Number of applications approved by DoH
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To ensure slum clearance by 2010		
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To facilitate and fast track land reform	Engage DLA on Area Based Sector Plan	Progress as per Process Plan

<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORATE</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMANCE INDICATOR</b>
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	HUMAN RESOURCES	To ensure 100% implementation of Employment Equity Plan by 2011	Implement the Employment Equity Plan of Council	Percentage compliance with EEP
INSTITUTIONAL TRANSFORMATION		HUMAN RESOURCES	To ensure the implementation of HIV/AIDS strategies	Mainstreaming of HIV/AIDS strategies	As per HIV/AIDS Process Plan
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	HUMAN RESOURCES	To ensure that 100% of vacancies as per the reviewed Organisational Structure are filled by 2011	To ensure that vacancies are filled as budgeted	Number of vacancies filled as per budget
DEMOCRACY AND GOVERNANCE	Organisational Restructuring	ADMINISTRATION	To ensure accessibility of municipal offices by the community by 2010	To investigate and implement strategic location of all municipal offices	Progress Report
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	MUNICIPAL MANAGER	To ensure an effective and functional Internal Audit	As per Audit Plan	Percentage compliance as per Audit Plan
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	MUNICIPAL MANAGER	To ensure that the IDP is approved and implemented	Develop IDP	As per process plan
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring		To ensure that the IDP implemented	To finalise the restructuring process	Percentage of macro structure filled
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	HUMAN RESOURCES	To adequately develop skills to improve service delivery	To review and implement the Skills Development Plan	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure backlogs are addressed by 2017 in line with WSDP	To prioritise projects as per WSDP	Percentage of households with access to a minimum level of service
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure maintenance and rehabilitation of infrastructure.	To prioritize projects as per WSDP	Percentage of budget spent

<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORATE</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMANCE INDICATOR</b>
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure a basic/minimum level of service to un-serviced areas by the WSP	Provision of a water tank service	Number of households using a water tanker services
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To reduce water and sanitation backlogs by 50% by 2011	To prioritize and fund projects as per WSDP	Percentage of backlogs addressed for water and sanitation
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To provide Water and Sanitation to Public Facilities(Clinics, Schools, Churches etc)	Identify facilities without service	Percentage of facilities serviced
INFRASTRUCTURE AND SERVICES	Water & Sanitation	MUNICIPAL MANAGER	To ensure the viability of the Entity (WSP) by 2008	Review SP Agreement – In progress	Progress Report to Council quarterly
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To rehabilitate bulk infrastructure in line with the WSDP	Prioritise projects and source funding as per WSDP	Progress Report
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure that provision of maintenance of infrastructure annually(as per budget guidelines)	Refer to WSP	Approval of budget aligned to WSDP
INFRASTRUCTURE AND SERVICES	Water & Sanitation	HUMAN RESOURCES	To establish a fully functional WSA	Source funding and or provide on Budget in terms of Business Plan	Progress Report
LOCAL ECONOMIC DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate ABET in Newcastle.	To engage Tertiary institutions	Number of ABET classes confirmed with Tertiary institutions
INFRASTRUCTURE AND SERVICES	Education/Skills Development	TOWN PLANNING	To facilitate the provision of adequate Primary and secondary education facilities including crèches	To engage with DoE and relevant stakeholders	Progress Report

<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORATE</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMANCE INDICATOR</b>
LOCAL ECONOMIC DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate the establishment of skills centres.	To engage Private and public sector	Progress Report
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	To electrify public facilities	Identify public facilities without access to electricity	Percentage of facilities being serviced
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	To construct high mast lights in previously disadvantaged areas	Allocation of R2m per annum to be provided for	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in unlicensed areas	Identify beneficiaries in conjunction with ESKOM	Number of indigent beneficiaries receiving FBE
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in licensed area(prepaid)	Investigate roll out of FBE to prepaid consumers in Newcastle License area	Number of indigent beneficiaries receiving FBE in licensed area
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	To ensure that infrastructure is maintained and rehabilitated annually	Provision on Budget of 3% of value of asset annually for maintenance	Percentage of value of asset budgeted for maintenance
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	Maintenance of lighting along Provincial roads	Engage DOT	Progress Report
INFRASTRUCTURE AND SERVICES	Primary Health	INFRASTRUCTURE SERVICES	To improve accessibility to facilities in rural areas	Refer to Roads and Storm water	Progress Report
INFRASTRUCTURE AND SERVICES	Primary Health	COMMUNITY SERVICES	To improve health services	To engage Dept of Health	Progress Report
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	Identify open spaces/areas for development	Number of area based plans compiled
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate Mixed use zones as per LUMS	Number of rezoning applications processed for Mixed use zones

<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORATE</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMANCE INDICATOR</b>
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To ensure that the SDF is reviewed annually	Approval of SDF
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate CBD regeneration including parking provision and residential provision	As per CBD Development Plan
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To implement Urban Renewal strategies (JBC Precinct)	Percentage of Capital budget invested in JBC
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate and source funding for East and West integration (Mad& Osizweni Corridor)	Number of projects funded
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	Render either a Skip(Communal ) or bag collection service in Blaauwbosch and Dry Cut (6000 households)	Number of household with at least a weekly service
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	To address backlogs linked to completed housing projects (Section E Osizweni and KwaMathukuza)	Percentage Reduction in backlogs
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	Prepare business Plan and Investigate funding sources	Progress Report

<b>NATIONAL KPA</b>	<b>IDP KPA</b>	<b>VOTE/ RESPONSIBLE DIRECTORAT E</b>	<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>KEY PERFORMAN CE INDICATOR</b>
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	To annually review the Disaster Management Plan	As per process plan
INSTITUTIONAL TRANSFORMATION	HIV/AIDS	MUNICIPAL MANAGER	Strategy in Progress (Incorporate)		As per process plan
INFRASTRUCTURE AND SERVICES	Environment	COMMUNITY SERVICES	To ensure a safe environment	Development and implementation of EMP	Progress Report

## Free and Subsidised Basic Services

Municipalities play central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to social well being and economic activity. Newcastle Municipality comprises both rural and urban areas as well as wide spread of income groups. Due to variation in living environment, the municipal area has a number of households who currently do not have access to all services.

The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities. The social package will also assist the Municipality in meeting its constitutional obligations.

The estimated cost of social package (income foregone through indigents) amounts to R62.6 million for the 2012/13 budget year. Details of initiatives carried out by Newcastle Council in this regard are detailed below:

Service	Social Package	Million (R)
Assessment Rates	All residential property owners are exempt from paying rates on the first R15,000 of the property value. Indigent residents will receive 100% rebates on rates.	10.4
Water	The first 12kl of water is free to all residents qualified as indigents in terms of the policy	8.8
Electricity	The first 50kwh of electricity is free to all residents qualified as indigents in terms of the policy	5,5
Refuse	Refuse is free to all residents qualified as indigents in terms of the policy	20.8
Sewer	Sewer is free to all residents qualified as indigents in terms of the policy	16.9
<b>Indigent Support</b>		<b>62.6</b>

The cost of indigent benefit to tune of R62.6 million is funded from the equitable share provided by the National Government, which amount is based on the estimated  $\pm 21000$  number of indigents currently in the Indigent Register.

## **8. OVERVIEW OF BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS**

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

### **Tariff Policy**

The current Tariff Policy, which the municipality adopted in terms of section 74 of the Local Government Municipal Systems Act, is currently being reviewed. The draft policy is still at management discussion and will soon be submitted to the Executive Committee and Council for approval.

### **Assessment Rates Policy**

Section 3(1) of the Local Government Municipal Rates Act, 6 of 2004, and sections 62(1) of the MFMA determines that a municipality must adopt and implement a rates policy on the levying of rates on rateable properties. The policy was approved by Council in the 2009/10 financial for implementation with effect from 01 July 2009.

### **Credit Control, Debt Collection and Customer Care Policy**

This policy is currently being reviewed and the draft was considered as part of the draft budget tabled to Council on 31 March 2010. The Budget and Treasury Office is currently busy identifying revenue enhancement strategies which will be in with the reviewed Credit Control, Debt Collection and Customer Care Policy. The relief measures for indigent consumers are also catered for under this policy.

### **Supply Chain Management Policy**

The municipality has a Supply Chain Management Policy was adopted by Council and is reviewed every year.

### **Cash Manager and Investment Policy**

This policy was approved by Council with effect from January 2008 as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process.

### **Asset Management Policy**

This policy was approved by Council as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process. The Budget and Treasury Office is currently busy with the compilation of asset register in terms of GRAP accounting standards, which might result in the Asset Management Policy being reviewed.



## **Subsistence and Travelling Policy**

The Subsistence and Travelling Policy was reviewed and adopted Council on January 2009. The implementation of the subsistence and travelling policy has a budgetary implication in appropriation of funds for travelling, accommodation and meals for Municipal Officials and Councillors embarking on business related trips.

Other new budget-related policies that have been submitted to Council for approval are the following:

Tariff Policy  
Debt Write-off Policy  
Indigent Policy  
Budget Policy  
Virement Policy  
Funding and Reserve Policy

- Borrowing Policy
- Petty Cash Policy

## 9. OVERVIEW OF BUDGET ASSUMPTIONS

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### General Inflation Outlooks and its Impact

The global economy grew by an average of 5% from 2003 to 2007. It was a period of robust expansion but also of widening international imbalances. Over the past six years, our economy has enjoyed rapid growth, rising employment and household income, a major expansion in public services and significant income and asset transfers to the poorest South Africans. However, 2008 saw the gathering of storm clouds as industrialised countries moved into recession into the latter part of the year, interrupting a lengthy spell of sustained, positive growth in national and local economies. South African economy was no exception with the economy slowing sharply. Like other emerging markets we were affected by the looming recession in advanced economies. Our government has, however, adopted a macroeconomic framework and fiscal stance capable of withstanding tough times and protecting the economy during times of global economic turbulence. The Stats SA resulted indicated that South Africa is slowly moving out of recession, however, it is anticipated that challenges caused by recession will take more just a year to re-instate as its impact will remain with South Africa for some time. This has been evidenced by the continuing job losses and employee demands for higher wages and nationwide service delivery protests.

Newcastle Municipality, like and any other municipality, is still subjected to the impact from the global crisis as well as related ripple effects from national economy. The recent hikes in, to mention a few, electricity bulk purchases, fuel, interest rates and inability to feel critical positions in critical industries could not be interpreted in isolation of Newcastle Municipality and did therefore impact negatively on the 2013/14 budget and it will still have a huge effect on the 2013/14 medium term budget.

### Budget Guidelines

The following is the extract of the budget guidelines as approved by the Council and which was utilised in preparing the 2013/2014 medium-term budget:

Item Description	2013/14	2014/15	2015/16
Assessment Rates	7%	7%	7%
Electricity tariffs	8%	8%	8%
Water tariffs	7%	7%	7%
Sanitation tariffs	7%	7%	7%
Refuse tariffs	7%	7%	7%
Salaries and allowances	10%	10%	10%
Repairs and Maintenance	6%	6%	6%
General Expenses	4%	4%	4%

All other tariffs, except for electricity, will be increased by only 7% in order to absorb the shortfall on the increase in the electricity purchases.

## **10. OVERVIEW OF FUNDING THE BUDGET (Including fiscal overview and sources of funding)**

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### **Financial Performance Current Year 2012/2013**

The adjustment budget was tabled to the Executive Committee and the Council on the 28 February 2013. Below are the highlights of what was approved in the adjustment budget, against what was originally budgeted for:

#### **2012/13 OPERATING ADJUSTMENTS BUDGET**

<b>STANDARD ITEM</b>	<b>2012/13 ORIGINAL BUDGET</b>	<b>2012/13 ADJUSTMENTS BUDGET</b>
<b>OPERATIONAL REVENUE PER SOURCE</b>		
PROPERTY RATES	(163,897,309)	(173,945,000)
ELECTRICITY	(502,262,557)	(502,262,557)
WATER	(135,503,989)	(135,503,989)
SANITATION	(78,399,720)	(78,399,720)
REFUSE	(63,504,554)	(63,504,554)
RENTAL OF FACILITIES AND EQUIPMENT	(4,353,352)	(5,354,135)
INTEREST ON INVESTMENT	(16,135,056)	(16,135,056)
INTEREST ON ARREAR ACCOUNTS	-	(70,000,000)
FINES	(2,977,280)	(2,336,534)
LICENCES AND PERMITS	(2,730)	(2,730)
TRANSFERS RECOGNISED- OPERATIONAL	(351,906,415)	(364,463,302)
OTHER REVENUE	(7,795,439)	(7,588,474)
<b>TOTAL OPERATIONAL REVENUE</b>	<b>(1,326,738,401)</b>	<b>(1,419,496,052)</b>

**OPERATIONAL EXPENDITURE  
BY TYPE**

EMPLOYEE RELATED COSTS	262,841,593	271,648,309
COUNCILLORS REMUNERATION	17,728,919	17,816,467
DEBT IMPAIRMENT	83,831,067	83,831,067
DEPRECIATION	229,520,929	229,517,292
FINANCE CHARGES	14,012,360	11,365,968
AGENT FEES	127,115,680	127,555,680
AUDIT FEES	2,904,000	2,904,000
BULK PURCHASES	405,922,740	400,000,000
COLLECTION FEES	11,372,350	12,579,149
CONSULTANTS FEES	10,239,986	19,818,648
OTHER MATERIAL	2,083,706	2,257,567
REPAIRS AND MAINTENANCE	88,577,120	90,989,922
GENERAL EXPENSES	157,846,771	180,129,365
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>1,413,997,221</b>	<b>1,450,413,434</b>
<b>SURPLUS/DEFICIT</b>	<b>87,258,820</b>	<b>30,917,383</b>

**Funding of the 2013/14 Medium-Term Budget**

The operating budget of Newcastle Municipality for the 2013/14 financial year will be funded from rates, tariffs, sundry charges and grants and subsidies. Assessment rates and electricity are expected to generate R186.1 million and R572.9 million respectively, while water, sewer and refuse are expected to generate R153.6, R84.4 and R68.6 million respectively. All these tariffs are expected to generate the operating revenue of R1.065 billion (75%) to the Municipality. Electricity tariffs alone represent about 40% of the total operating revenue.

The summary of tariff increases for 2013/14 is as follows:

- Rates : 7%
- Electricity : 8%
- Refuse removal services : 7%
- Water : 7%
- Sanitation : 7%

Increases in the individual tariffs applicable to the above services are detailed in the tariff of schedule attached hereto, together with other proposed sundry tariffs. Sundry tariffs are expected to generate only about R16.4 million, which is about 1.2% of the total revenue.

Grants in the amount R405.2 million have been appropriated in the medium-term operating budget to fund the total budget

The following issues were the challenges in the appropriation of funds when preparing the 2013/14 draft budget:

- Initiatives to improve the current payment factor
- Requirement with regard to upgrading and maintenance of existing roads and other service networks
- Departmental requirements regarding the filling of critical and vacant positions not previously budgeted for
- Provision for Council's liability to reserves

The following is the example of estimated monthly residential rate and tariff per area for the 2013/14 financial year.

<b>AREA</b>	<b>2012/2013</b>	<b>2013/2014</b>
<b>Newcastle</b>	<b>Avarage Property</b>	<b>Avarage Property</b>
	542,973.00	542,973.00
Rates	400.47	428.50
Refuse	87.42	93.54
Electricity Basic	125.19	135.20
Electricity Consumption	527.51	569.71
Water Availability	31.14	33.32
Water Consumption	211.36	226.15
Sewer Availability	149.61	160.08
Vat	158.51	170.52
<b>Total</b>	<b>1,691.21</b>	<b>1,817.04</b>

<b>Madadeni</b>	<b>Avarage Property</b>	<b>Avarage Property</b>
	99,749.00	99,749.00
Rates	64.28	68.78
Refuse	87.42	93.54
Water Availability	31.14	33.32
Water Consumption	211.36	226.15
Sewer Availability	149.61	160.08
Vat	67.13	71.83
<b>Total</b>	<b>610.95</b>	<b>653.72</b>
<b>Osizweni</b>	<b>Avarage Property</b>	<b>Avarage Property</b>
	82,832.00	82,832.00
Rates	51.45	55.05
Refuse	87.42	93.54
Water Availability	31.14	33.32
Water Consumption	211.36	226.15
Sewer Availability	149.61	160.08
Vat	67.13	71.83
<b>Total</b>	<b>598.12</b>	<b>639.99</b>
<b>Charlestown</b>	<b>Avarage Property</b>	<b>Avarage Property</b>
	108,328.00	108,328.00
Rates	-	-
Refuse	87.42	93.54
Water Availability	31.14	33.32
Water Consumption	211.36	226.15
Sewer Availability		

	149.61	160.08
Vat	67.13	71.83
<b>Total</b>	<b>546.67</b>	<b>584.94</b>
<b>Ingagane</b>	<b>Avarage Property</b>	<b>Avarage Property</b>
	410,109.00	410,109.00
Rates	299.69	320.67
Refuse	87.42	93.54
Water Availability	31.14	33.32
Water Consumption	211.36	226.15
Sewer Availability	149.61	160.08
Vat	67.13	71.83
<b>Total</b>	<b>846.36</b>	<b>905.60</b>
<b>Kilbarchan</b>	<b>Avarage Property</b>	<b>Avarage Property</b>
	297,092.00	297,092.00
Rates	213.97	228.94
Refuse	87.42	93.54
Water Availability	31.14	33.32
Water Consumption	211.36	226.15
Sewer Availability	149.61	160.08
Vat	67.13	71.83
<b>Total</b>	<b>760.63</b>	<b>813.88</b>
<b>KwaMathukuza</b>	<b>Avarage Property</b>	<b>Avarage Property</b>
	42,615.00	42,615.00
Rates	20.95	22.41
Refuse	87.42	93.54

Water Availability	31.14	33.32
Water Consumption	211.36	226.15
Sewer Availability	149.61	160.08
Vat	67.13	71.83
<b>Total</b>	<b>567.61</b>	<b>607.35</b>

#### **Assumptions made with regard to:**

Water consumption : 28 kl per month  
Electricity consumption : 750 kWh per month  
Property values : Average values per area, as per valuation roll, have been used  
*(Note: The first R15, 000 of all properties is exempt from rates in terms of the rates policy)*

#### **Funding of 2013/14 Medium-Term Capital Budget**

In line with section 18 of the MFMA, the capital budget has been funded from the following funding sources:

Grants: National Government	R 136.5 million
Accumulated Surplus (cash-backed)	R 110.8 million
External Loans	R 162.4 million

#### **Investments**

The following investments exist for Newcastle Municipality. A portion of cash-backed investments (R35 million) will fund capital budget, while interest received (R16 million) will boost the operating revenue. A schedule of Municipal Investment is as per SA16 of the Schedule A.

#### **National and Provincial Government Transfers**

The National and Provincial grants allocation will be used to fund larger portions of the operating expenditure as well as the capital expenditure. These have been gazetted in terms of the 2013 Division of Revenue Act.

*For Grant allocations, please refer to SA18 of Schedule A.*

#### **New Borrowings**

Certain major capital projects amounting to 162.4 million will be funded from an external loan. Refer from SA17 of Schedule A.



## **11. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES**

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Grants and subsidies from National and Provincial governments, as reported in the 2013 Division of Revenue Act and reflected in SA 19, have been included the 2013/14 budget and each allocation will be utilised for the purpose as described below.

### **National Grant Allocations**

#### **Equitable Share**

The equitable share is an unconditional grant and as such can be regarded as general revenue, however, it is a matter of co-operative governance that municipalities should prioritise its expenditure budget towards poor households and national priorities like free basic services.

Reform in the local government grants system for 2005/2006 saw the introduction of new equitable share formulae for local government.

#### **Municipal Infrastructural Grant (MIG)**

The Municipal Infrastructural Grant (MIG) is entering its ninth year of implementation in the 2013/14 financial year. It resulted from the consolidation of various capital grants for municipal infrastructure (CMIP, Water Services Projects, CBPWP, LEDF, BSRP and the Urban Transport Fund) into a new funding arrangement.

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised for the construction and upgrading roads and sewer projects in areas falling within Newcastle Municipality. It should be noted that Council is required to counter fund some of the projects.

#### **Finance Management Grant**

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery.

It will be utilised for the upgrading of skills and capacity of Newcastle Finance officials for workshops and training programmes, funding financial programmes with a view to capacitate financial systems, as well as for the remuneration of the interns currently employed by the municipality and cover costs of their training and its facilities. There are currently four interns employed, and the activities are in place to appoint the fifth one, as per National Treasury guide.

## **Water Operating Subsidy**

The Water Operating Subsidy is the capital grant provided by the Department of Water Affairs and Forestry to subsidise water schemes owned and/or operated by the department or other agencies on behalf of the department. Projects funded through this grant are implemented by the uThukela Water (Pty) Ltd but Newcastle Municipality will only administer the funds of the project(s).

## **Municipal Systems Improvement Grant**

This grant is provided by the Department of Cooperative Governance and Traditional Affairs to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act, 2000 and other related legislation.

The grant may be apportioned for, depending on the submitted and approved activity plan, the engagement of ward committees, IDP review processes, implementation of Municipal Property Rates Act and GRAP conversion requirements

## **Neighbouring Development Partnership**

This grant was established by National Treasury to support neighbouring development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted underserved neighbourhoods, generally townships.

The Technical Assistance Grant aims at supporting the development of township development plans. This is an indirect grant and not be transferred directly to Newcastle Municipality. The Capital Grant aims at supporting nodal investment into the construction or upgrading of community facilities, which may attract private sector investment. This is an indirect allocation which will be transferred by National Treasury directly to the service provider or the implementing agent.

## **National Electrification Programme (Eskom)**

The National Electrification Programme grant is transferred by the Department of Minerals and Energy directly to Eskom to implement integrated electrification programmes by addressing electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Hence, the grant will be transferred to Eskom to address the electrification infrastructure backlog within the jurisdiction of Newcastle Municipality.

## **Provincial Grant Allocations**

### **Museum subsidy**

The funding is made available by KZN Premier's office to provide strategic financial support to municipalities with a focus on the development and maintenance of museums and care and preservation of cultural heritage.

### **Library Recapitalisation**

The subsidy is provided to improve library services.

**12. ALLOCATIONS AND GRANTS MADE BY NEWCASTLE MUNICIPALITY**

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*None. Please refer to SA 21 of Schedule A.*

### **13. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

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*Please refer to SA22 and SA24 of Schedule A*

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**14. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOWS (Table 15a)**

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Please refer to SA25 to SA30 of Schedule A

## **15. ANNUAL BUDGET AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN – INTERNAL DEPARTMENTS**

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The Draft annual budget is as per attached Scheduled A, which is Annexure A and the draft SDBIP will be submitted separately.

## **16. ANNUAL BUDGET AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS**

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### **Municipal Entities**

The agreement in currently in force in the following brief details:

- (a) Name of Entity : Uthukela Water (Pty) Ltd
- (b) Period of agreement : 30 years
- (c) Service provided : Water and sanitation
- (d) Expiry date : 24 May 2034

The Entity is currently under Provincial Administration and being investigated in terms of section 78 of the Municipal Systems Management Act, 32 of 2000.

### **Other Agreements**

The service delivery agreement with Bigen Africa (Pty) Ltd to perform the Debt Collection and Credit Control function of the Municipality expired on 1 July 2007. Council, however, resolved to extend the contract on a month to month basis.

The Council will have to assess all options available with regard to the continuation of the function ensuring that all processes currently in place are not disturbed. Should the legal and non-legal processes not continue, the negative impact on the cash flow of the Municipality will filter through to the level of service delivery supplied by Council. This will be addressed once the revenue enhancement strategies have been identified.

## **17. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

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It is envisaged at this stage that no contract will have budgetary implications beyond a period of three years. The contract between the Newcastle Municipality and the Water Service Provider, Uthukela Water, is still in the hands of Provincial Executive for the Department of Cooperative Governance and Traditional Affairs.

No other contracts, which will have budgetary implications beyond a period of three years, have been provided for in the 2013/14 medium-term budget.

*Please refer to SA35 of Schedule A*



**18. CAPITAL EXPENDITURE DETAILS**

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*Please refer to SA36 of Schedule A*

## **19. LEGISLATION COMPLIANCE STATUS**

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### **Municipal Finance Management Act**

The Municipal Finance Management Act, No. 56 of 2003 came into effect on 1 July 2004. The Newcastle Municipality was identified as a High Level Municipality, and as such had the responsibility of implementing the Act with few exemptions/delays allowed. The following main processes have been implemented in terms of the Municipal Finance Management Act:

- The budget process.
- Supply Chain Management.
- Conversion of Financial Statements to GAMAP/GRAP.
- Financial in-year reporting.
- Adjustment budgeting
- Annual reporting.
- Compilation and implementation of various policies.
- Compilation of procedural notes for main financial accounting processes.
- The budget and Treasury office has been established in accordance with the requirements
- Service Delivery and Budget Implementation plans are applied as monitoring tools
- Audit Committee has been established

### **Municipal Property Rates Act**

The 2008/09 was a challenging budget year for Newcastle Municipality, with 01 July 2009 being the compulsory date of first implementation of the Act and drafting of the rates policy. To this end, the municipality is currently implementing the approved policy and has produced three further valuation rolls. The objective process has been finalised and Municipality is busy with the two appeals.

### **Compliance with Circular 51: Municipal Budget and Reporting Regulations**

In order to achieve a smooth transition into the new Budget Format and Reporting Regulations but not compromising Council's understanding of its budget, both budget tables prepared in terms of circular 28 and tables prepared in terms of Gazette 32141 have been included. It is however brought to Council's attention that in terms of this Gazette, the budget will now be prepared to comply with the requirements of the newly enacted Municipal Budget and Reporting Regulations. It is for this reason that Council is urged to acquaint itself with the format, since Council will be expected to scrutinize and approve the budget prepared only in terms of Gazette 32141 in the next financial year.

### **Other Legislation**

Newcastle Municipality has complied with a number of other legislation, including the Local Government Municipal Systems Act, gazettes and circulars issued by Treasuries on a continuous basis.

## **20. ANNUAL BUDGET OF MUNICIPAL ENTITY ATTACHED TO THE MUNICIPALITY'S ANNUAL BUDGET**

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The budget of the Entity Uthukela is attached hereto for Council consideration. The approved operating budget for the Entity amounts to R120 million.



## **22. MUNICIPAL MANAGER'S QUALITY CERTIFICATE**

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I, **K Masange**, Municipal Manager of **Newcastle Municipality**, hereby certify that the annual budget and supporting documentation of the 2013/14 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : KEBONE MASANGE

Municipal Manager of : NEWCASTLE MUNICIPALITY

Signature : .....

Date : .....